

Message Text

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DRAFTED BY S/S-O:JSNYDER

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FM SECSTATE WASHDC

TO AMEMBASSY ISLAMABAD IMMEDIATE

INFO USLO PEKING IMMEDIATE

C O N F I D E N T I A L STATE 221861

EXDIS

TOSEC 327

FOLLOWING SENT SECSTATE WASHDC FROM USMISSION OECD PARIS

09 NOV 73:

QUOTE C O N F I D E N T I A L OECD PARIS 28987

EXDIS

FOR THE SECRETARY FROM UNDER SECRETARY CASEY

DEPARTMENT PLEASE REPEAT IMMEDIATE TO THE SECRETARY

ECOTO 10

E.O. 11652: GDS

TAGS: ENRG, OVIP, GR, FR, UK, EEC

SUBJECT: EVALUATION OF CASEY OIL DISCUSSIONS

1. SOME EVALUATIONS DERIVED FROM MY OIL DISCUSSIONS IN EUROPE
MAY BE USEFUL. I FIND DEEP CONCERN AND GREAT UNCERTAINTY
ABOUT MORAL QUALITY AND DURABILITY OF POSTURE WHICH EUROPEAN
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GOVERNMENTS HAVE ADOPTED ON MIDDLE EAST POLICY. THERE IS A
CONSTANT NOTE OF APOLOGY AND NOT INFREQUENT EXPRESSION OF
SHAME. THEY ARE ACUTELY CONSCIOUS THAT THEY ARE DEPENDING
YOUR EFFORTS TO MAINTAIN THEIR FUNDAMENTAL SECURITY AND OIL

REQUIREMENTS WHILE THEIR CONCENTRATION ON PROTECTING THEIR IMMEDIATE NEEDS COMPOUNDS DIFFICULTY OF YOUR TASK.

2. UNDER THE SURFACE OF THE OFFICIAL POSITION, IMPORTANT OFFICIALS RECOGNIZE THAT THE TIME MAY NOT BE FAR AWAY WHEN POLICY OF EXPEDIENCE MAY BE DISCREDITED AND BACKFIRE AS HAVING CONTRIBUTED TO FLOWERING OF ARAB OIL WEAPON. THESE PEOPLE THINK IN TERMS OF HOW AND WHEN WEST WILL BE ABLE TO PULL TOGETHER AND MITIGATE EFFECTS OF PRESENT DIVISIONS.

3. ON A CONCRETE BASIS THEY DISCUSS URGENCY IN DETERMINING REQUIREMENTS FOR OIL TO SUSTAIN POPULATION, ECONOMY AND SOCIAL FABRIC ON A MINIMUM BEDROCK BASIS. THIS THINKING GIVES RISE TO A DESIRE TO EXPLORE SHARING, USE OF COAL AND WOOD AND OTHER MEASURES TO MAINTAIN OPERATIONS OF INTER-RELATED ECONOMIES ON BEDROCK BASIS.

4. LOOKING BEYOND SUPPLY RESTRICTIONS THERE IS FEAR THAT PRICE INCREASES WILL CAUSE GOVERNMENTS TO BECOME SO CONCERNED WITH CURRENT ACCOUNT BALANCES NEEDED TO PAY FOR OIL TO A POINT WHICH WILL LEAD TO CAPITAL CONTROLS, RESTRICTIONS ON IMPORTS, COMPETITIVE AND DEVALUATION AND OTHER FEATURES OF TRADE WAR.

5. LOOKING BEYOND IMMEDIATE SUPPLY CRUNCH, INFLUENCE OF PRICE AND OTHER DEVELOPMENTS SEEN AS REDUCING INTEREST OF ARAB PRODUCERS IN MAINTAINING ADEQUATE PRODUCTION LEVELS AND CREATING PRESSURE ON CONSUMERS TO DEVELOP INVESTMENT AND ECONOMIC DEVELOPMENT OPPORTUNITIES TO MAINTAIN ARAB INTEREST IN MAINTAINING FLOW OF REVENUE. ANOTHER EFFECT ALREADY OPERATING IS RELATIVE STRENGTHENING OF DOLLAR AS IT IS SEEN THAT HEAVIER RELIANCE OF EUROPE AND JAPAN ON IMPORTED OIL WEIGHS MORE HEAVILY ON THEIR BALANCE OF PAYMENTS. CASEY UNQUOTE RUSH

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